

Message Text

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GENEVA MTN, PASS AMBASSADOR DENT

E.O. 11652: N/A

TAGS: ETRD, EEC, EGEN,

SUBJECT: SOAMES/DENT DISCUSSION OF THE ECONOMIC SITUATION

REF: EC BRUSSELS 4584

1. SUMMARY: IN PRIVATE CONVERSATIONS ON THE EDGE OF THE PLENARY OF THE SOAMES/DENT DISCUSSIONS, ORTOLI, SOAMES AND GUNDELACH EXPRESSED THEIR CONCERN ABOUT THE CURRENT WORLD ECONOMIC SITUATION AND INDICATED

THAT THEY CONSIDER IT A THREAT TO THE CURRENT "LIBERAL" INTERNATIONAL SYSTEM OF ECONOMIC INTERCHANGE. THEY EXPRESSED THE STRONG VIEW THAT CLOSER COORDINATION BETWEEN THE US AND EUROPE IN THE FIELD OF ECONOMIC POLICY IS ESSENTIAL. AMBASSADOR DENT AGREED ON THE NEED FOR COORDINATION AND CONSULTATION AND SAID THAT HE WOULD MAKE SURE THAT, SO FAR AS HE AND HIS DEPUTIES ARE CONCERNED, THERE WOULD BE VERY CLOSE RELATIONS WITH THE COMMUNITY. END SUMMARY.

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2. DURING A COURTESY CALL ON EC COMMISSION PRESIDENT ORTOLI ON MAY 22, AMBASSADOR DENT EXPRESSED OPTIMISM ABOUT FUTURE IMPROVEMENT IN THE GENERAL ECONOMIC SITUATION IN THE US. ORTOLI WAS MORE RESERVED ABOUT AN EARLY UP-TURN IN EUROPE AND FEARED THAT IF ECONOMIC ACTIVITY STAYS ON THE BOTTOM FOR TOO LONG, THERE MAY BE "SOCIAL UNREST." IN ORTOLI'S VIEW, THE REAL PROBLEM FACING THE WESTERN WORLD IS HOW TO ORGANIZE ECONOMIC COOPERATION. GREATER STABILITY IS NECESSARY IN THE ECONOMIC AND MONETARY SYSTEM. TO OBTAIN THIS STABILITY THE INDUSTRIALIZED COUNTRIES, PARTICULARLY THE MORE IMPORTANT ONES, MUST FIND WAYS OF WORKING MORE CLOSELY TOGETHER. IN TODAY'S WORLD IT IS NO LONGER POSSIBLE TO HAVE PURELY NATIONAL ECONOMIC POLICIES. THEREFORE, IT IS ESSENTIAL TO HAVE COORDINATED APPROACHES.

3. ORTOLI SAID HE WAS NOT PROPOSING ANY NEW INSTITUTIONAL ARRANGEMENTS, WHICH HAD BEEN TRIED BEFORE AND RAISED CERTAIN EUROPEAN FEARS ABOUT US DOMINATION. HE WAS SEARCHING, THEREFORE, FOR SOMETHING LOOSER BUT EFFECTIVE. WHAT WAS NECESSARY WAS A METHOD OF ACHIEVING A COMMON APPRECIATION OF THE ECONOMIC SITUATION. THIS COMMON APPRECIATION SHOULD ALSO INCLUDE THE ACCEPTANCE OF DISCIPLINE. ORTOLI EXPRESSED THE VIEW THAT IF WE DO NOT FIND A BETTER WAY TO DEAL WITH OUR ECONOMIC PROBLEMS OVER THE NEXT 5-10 YEARS, OUR CURRENT "LIBERAL" SYSTEM WILL BE PUT INTO QUESTION. AN OPEN SYSTEM PERMITTING THE FREE FLOW OF GOODS AND INVESTMENT WILL NOT BE SUSTAINED IF THE PRESENT INSTABILITY IN ECONOMIC AFFAIRS PERSISTS. HE DID NOT BELIEVE THAT EUROPEAN INTEGRATION WAS IN ANY WAY INCONSISTENT WITH CLOSER COOPERATION WITH UNITED STATES AND JAPAN.

4. AMBASSADOR DENT AGREED WITH THE NEED FOR BETTER COORDINATION OF ECONOMIC POLICY BUT ADDED THAT IT WAS EQUALLY IMPORTANT FOR GOVERNMENTS TO FOLLOW SOUND FISCAL POLICIES. HE SAID THAT CONSULTATION AND COORDINATION OF POLICIES DID NOT MEAN THAT WE SHOULD SEEK INTERVENTION AND GOVERNMENT REGULATION OF ECONOMIC AFFAIRS.

5. WHEN DENT MET SEPARATELY WITH SOAMES AND GUNDELACH, SOAMES REINFORCED THE POINTS MADE EARLIER BY ORTOLI, STATING LIMITED OFFICIAL USE

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THAT THE BASIC QUESTION IS WHETHER OUR CURRENT ECONOMIC SYSTEM WILL SURVIVE. GUNDELACH AGREED THAT THE OPEN SYSTEM WOULD NOT CONTINUE UNLESS WE ACHIEVE A BETTER DEGREE OF ECONOMIC POLICY COORDINATION.

6. SOAMES EMPHASIZED THE NEED FOR THE US AND EC TO APPRECIATE THE SPECIAL CIRCUMSTANCES AND PROBLEMS FACING THE OTHER SIDE AND THE IMPORTANCE OF GOOD PERSONAL RELATIONS BETWEEN THE

COMMISSION AND AMBASSADOR DENT AND HIS DEPUTIES. AMBASSADOR DENT REPLIED THAT HE AGREED ENTIRELY WITH THE NEED FOR CLOSE AND CONTINUOUS CONSULTATIONS AND THAT HE AND HIS DEPUTIES WOULD BE TRAVELING FREQUENTLY TO EUROPE AND WOULD TAKE FULL ADVANTAGE OF THE OCCASION TO CONSULT WITH THE COMMISSION AND MEMBER STATES.

7. THIS REPORT WAS PREPARED AFTER AMBASSADOR DENT'S DEPARTURE.
GREENWALD

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